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SENSITIVE

SIPDIS

PM/DTCC - BLUE LANTERN COORDINATOR

E.O. 12958: N/A

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SUBJECT: RESPONSE TO BLUE LANTERN POST-SHIPMENT CHECK,  
LICENSES 050128442 AND 050136115

REF: STATE 76036

1. (SBU) Summary: MOD officials and representatives from Reshef Technologies confirm that the components from reftel shipments have been and will be used to produce proximity fuzes. Reshef Technologies has produced and delivered 8,333 proximity fuzes assembled from shipment components to the MOD, and is currently working on an additional order of proximity fuzes comprised of components from reftel shipments for the Israel Defense Force (IDF) to be delivered by the end of the year. Shipment components are stored in a bunker at the Reshef production plant in Sderot; the MOD restricts access to the bunker and maintains a computerized inventory of the components. Reshef Technologies acknowledged that typically one to three percent of components from shipments such as these are not used; such overstock is ordered to compensate for faulty components or parts damaged during the fuze production. These overstock components remain stored in the bunker at the Reshef plant for future use by the MOD. Both the MOD and Reshef Technologies are aware of the proviso barring the use of these components to produce cluster munitions fuzes, and maintain that the components will only be used to produce proximity fuzes. End summary.

2. (SBU) Polmiloff and FCS senior commercial specialist met with Kobi Fogler from the MOD Directorate of the Security Defense Establishment (MALMAB) on September 1. Fogler confirmed that components from the two shipments were purchased in order to produce M582 proximity fuzes. According to Fogler, Reshef Technologies, LTD., used these components to produce 8,333 proximity fuzes, which have subsequently been delivered to the IDF Ammunition and Missiles Center. Fogler stated that an additional 32 proximity fuzes were used during a "firing test" performed by Reshef Technologies and the IDF. Fogler said an additional series of proximity fuzes comprised from components from these two shipments were currently being assembled by Reshef Technologies; the IDF expects the delivery of these fuzes by the end of 2009. Fogler acknowledged the proviso disallowing these exported items from being used to produce cluster munitions. He stated that all components from these shipments will be used to produce proximity fuzes -- and not for timed fuzes used in cluster munitions.

3. (SBU) Polmiloff and FCS senior commercial specialist met with Reshef Technologies Managing Director Shlomo Manoach and fuze plant manager Eitan Shemesh at Reshef Technologies' headquarters in Or-Yehuda (15 minutes outside of Tel Aviv) on September 10. MALMAB's Kobi Fogler also attended the visit, as well as the MOD's Ran Bar-Ner, who introduced himself as the MOD's facility security liaison for Reshef, but whose business card identified him as working for MALMAB. Manoach and Shemesh explained that Reshef Technologies was

established in 1984, and is publically-owned by Aryt Industries, LTD. According to Manoach, Reshef Technologies comprise approximately 95 percent of Aryt Industries' business. Manoach said Reshef Technologies bought out Soltam's 10 percent-owned shares in December 2007. According to a technical brief, Mr. Zvi Levi is the major share holder with 52 percent of Reshef's shares.

¶4. (SBU) Manoach and Shemesh said Reshef Technologies have been an approved supplier for the MOD since 1988, and is the main supplier to IDF ground forces for fuzes used in mortar, artillery, tanks, and rockets. Shemesh said approximately 80 percent of Reshef's company business lies with the IDF; the remaining 20 percent of sales includes customers in Romania, Canada, Bulgaria, and Belgium -- the end user in these cases is always the host country's Army or MOD. According to Manoach, Reshef Technologies is well-versed in Israeli and U.S. export control regulations, while Reshef representatives have participated in all Israeli Defense Export Control Division (API) conferences, and participated in the most recent conference of the Society for International Affairs (SIA) held in December 2007.

¶5. (SBU) Shemesh said the Reshef fuze production plant located in Sderot includes a storage bunker for the components. The MOD maintains a computerized inventory system for the components; Fogler noted that all plant employees possess MOD "confidential" security clearances, while access to the storage bunker is restricted to essential personnel only. Shemesh said the components are stored in original manufacturer boxes in the bunker; when the components are finally removed to produce the fuzes, they are often mixed on the production line with components from

another subcontractor.

¶6. (SBU) Manoach and Shemesh stressed that the components are only used for the products Reshef Industries was ordered to produce -- in the case of these shipments, M582 proximity fuzes (or their commercial name, the M180 Omicron fuze). They confirmed that Reshef Technologies is working on another order of M582 proximity fuzes that will be assembled from components from these two shipments, which they plan to deliver to the IDF by the end of the year.

¶7. (SBU) Manoach and Shemesh also noted that any remaining component stock is stored in the bunker, and is available only to the customer -- in this case, the MOD -- according to the customer's instructions. They explained that typically, one to three percent of components from shipments such as these are not used -- this intended overstock is typically ordered in the event some of the components are faulty or harmed during fuze production. Manoach explained that this overstock remains in the plant storage bunker for the MOD's future use. Fogler added that the MOD annually conducts an inventory check at the storage bunker.

¶8. (SBU) Manoach and Shemesh confirmed that the components from these shipments have been and will only be used to produce M582 proximity fuzes. Polmiloff inquired whether these components could be used to produce fuzes for cluster munitions. Shemesh said cluster munitions use timed fuzes, which are entirely different from proximity fuzes. As such, most of the components from these two shipments could not be used to produce timed fuzes, he said. Shemesh did acknowledge that the cover lower components from shipment B (DTC Case 050136115; reftel) could potentially be used in the manufacture of timed fuzes for cluster munitions. Both Manoach and Shemesh reiterated, however, that Reshef Technologies would only use the components to produce proximity fuzes, as ordered by the MOD.

¶9. (SBU) Manoach was able to produce documents submitted in support of these license applications, including DSP-83 Nontransfer and Use Certificates, purchase orders, end-use statements, and certificates of delivery. Polmiloff and FSC senior commercial specialist inquired why the Interglobal Forwarding Service was listed as the seller in these cases,

when Amtec Corporation and R.A. Zweig Inc. appeared to be the component manufacturers. Both Manoach and Fogler replied that the shipments were arranged by the GOI MOD mission in New York using foreign military financing (FMF); any further questions on the matter might be raised with the mission.

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